

MINUTES
Budget Committee Meeting
May 24, 2010

The meeting was called to order at 6:00 p.m. by Mayor Dennis Doyle. Present were Councilors Catherine Arnold, Betty Bode, and Marc San Soucie and Members Randy Blake, Allen Dawson, Jose Galindez, and Ian King. Councilor Cathy Stanton and Member Keith Parker were excused. Also present were Patrick O'Claire, Finance Director; Randy Ealy, Assistant to the Mayor; Alan Rappleyea, City Attorney; Nancy Bates, Human Resources Director; Don Mazziotti, Community Development Director; Peter Arellano, Public Works Director; Geoff Spalding, Chief of Police; Terry Merritt, Deputy Chief; Bill Scheiderich, Assistant City Attorney; Brad Roast, Building Official; Steve Sparks, Principal Planner; Patricia Luebke, CDD Office Supervisor; John Mercer, Municipal Judge; Kay Renfro, Court Administrator; Michelle Harrold, Management Analyst; and Joanne Harrington, Recording Secretary.

ELECTION OF OFFICERS

Mayor Doyle called for election of officers; Chair; Vice Chair and Secretary.

Councilor San Soucie MOVED/SECONDED by Councilor Bode to nominate and elect Jose Galindez as Chairman, Randy Blake as Vice Chair, and Allen Dawson as Secretary. The motion CARRIED unanimously.

FISCAL YEAR 2010-11 PROPOSED BUDGET

Chair Galindez commended the Mayor, the Finance Director and the department heads for preparing a quality budget.

Mr. O'Claire made opening comments.

Mr. O'Claire said that 9.63 FTE that have been vacant since FY 2006-07 have been removed from the proposed budget. In addition nine other positions have been eliminated from the proposed budget, one of which came vacant during the year and the other eight positions are recommended to be eliminated effective July 1, 2010.

Mr. O'Claire discussed the department reorganizations in proposed budget. He said the Business Development Services Department had been re-titled to the Economic and Capital Development Department. The Economic Development program and the Visioning program moved from the Mayor's Office to the Economic and Capital Development Department. The Downtown Redevelopment program and the Community Development Block Grant Fund moved from the Mayor's Office to Community Development Department. The Building Maintenance program transferred from the Public Works Department to the Mayor's Office to give a broader oversight for facility maintenance, space leasing and facility acquisition.

Mr. O'Claire discussed the new Economic and Capital Development Department. He said the department consists of an Administration program, the Economic Development program which transferred from the Mayor's Office, and the Visioning program which also transferred from the Mayor's Office. The Engineering Department, which consists of the engineering management in the General Fund, the Street Fund, the TIF Fund, and the Water, Sewer and Storm Drain engineering, also transitioned into the Economic and Capital Development Department. The Site Development staff will transfer from the Engineering Department to the Public Works Department. The Water Fund's Public Works group was previously budgeted under the Engineering Department, and will now transition back to the Public Works Department.

Mr. O'Claire said there is a vacant FTE in the Public Works Administration Fund that was overlooked in the budget preparation process and will be eliminated through an amendment to the proposed budget.

Councilor Arnold asked Mr. O'Claire to explain why Engineering staff is moving to Economic and Capital Development Department and what advantages it would have. Mr. O'Claire said the Engineering Department followed their department head which is Gary Brentano. This would provide continuity as the department head of Engineering.

Mr. O'Claire reviewed the Mayor's Budget Message. He said that in order to maintain the ratio of 1.5 officers per 1,000 population another officer was going to be added to the proposed budget. The Police Department elected to trade that position for a support staff position. Mr. O'Claire explained how this has happened in the past thirteen fiscal years.

Mr. O'Claire said the Mayor wanted to maintain the City's current level of taxation which is at \$3.96 per \$1,000, and when the debt service for the library is added on, the total is \$4.19 which is the same total as last year. The actual net increase in taxes is anticipated to be an additional \$1.3 million due to the growth of the City's assessed valuation plus annexations and new construction.

Mr. O'Claire said the tax collection rate is projected to be 95 percent. He said tax collections for the current year are ahead of schedule.

Councilor San Soucie asked what the negative number was in relation to street lights. Mr. O'Claire said that it was comparing the taxes to last year. Mr. O'Claire explained that the Street Light Fund has been accumulating a relatively large fund balance so the property tax that is to be received is being reduced from the levels in prior years.

Mr. O'Claire said the City's permanent tax rate is \$4.61. He said for each \$100,000 of additional property taxes will increase the tax rate by 1.3 cents.

Mr. O'Claire said the Beginning Working Capital is being decreased by about \$9.2 million. This is the difference between what is expected to come into the City at the beginning of the next fiscal year and what funds will be remaining at the end.

Mr. O'Claire discussed the operating history of the Business License revenue and said although it is not a large revenue generator for the City; it gives an indication of the economy. Mr. O'Claire said for the current year, it is estimated that the Business License revenue will be \$480,000 which is about a 7% drop from last year.

Mr. O'Claire discussed the operating history of the General Fund. He said the City has always operated in a positive mode with the General Fund. For the current year, it was anticipated that the General Fund's fund balance would be reduced by \$2.9 million, but due to savings throughout the year, staff turnover, and changes in spending plans, the City is actually expecting an increase to the fund balance by \$39,000.

Councilor San Soucie asked why the General Fund balance was negative in FY 2003-04. Mr. O'Claire said it was due to the purchase of the Westgate property.

Mr. O'Claire discussed the Street Fund and said it has had some significant operating swings because in some years capital projects are funded a more aggressively. For the proposed budget, gas tax revenues show a significant increase from \$5.2 million this year to \$5.7 next year, which is due to an additional 6 cent increase in the gas tax beginning January 2011.

Mr. O'Claire discussed the Building Fund. Since FY 2006-07 the Building Fund has been operating at a deficit due to having more expenditures than building permit revenues. For the FY 2009-10 adopted

budget, we expected the Building Fund to operate at a \$356,000 deficit. Staff had anticipated a quicker recovery from the current economic slump than we are actually experiencing. Due to the slower recovery, the Building Fund is expecting even less permit revenue than was anticipated so the estimated deficit will increase by \$86,000 to about a \$442,000 operating deficit. To offset this trend, the Building Fund's proposed budget will eliminate six positions effective July 1, 2010. If these cuts had not been proposed, the Building Fund would experience an additional \$425,000 bringing the fund contingency level to 19% of its operating costs. The Building Fund should have a contingency of about 50% of its operating costs so staff could fulfill the inspections for all the paid building permits. With the reductions that have been made to the proposed budget, the Building Fund's contingency is back up to 50%.

Mr. O'Claire said the Library Fund is doing well. He said it does not have the requirements for contingency like the Building Fund. Mr. O'Claire said the Library Fund should have about 16% contingency, which is equal to the cost of two months of operations.

Councilor Bode asked if this was enough cushion for the Library Fund being that the levy will be up for election in November. Mr. O'Claire said that was a good point and if the library levy does not pass in November, city staff will go into immediate review mode and possibly proposing two different types of budgets for the next year.

Mr. O'Claire said the proposed budget also includes an additional cost for operating the branch library; however, it does not include any revenues from opening the branch library as additional revenues will not be received until the next fiscal year.

Mr. O'Claire discussed the current economic climate as far as interest earnings on the City's portfolio. The City consistently has about \$60 to \$70 million in investments. The revenue from interest income has been significantly decreasing. Over the years, the City has lost a cumulative \$23 million in interest income over the levels received from 1999 to 2001. To make up this loss of income, the City has had to reduce its expenditure levels or find other revenue sources.

Mr. Galindez asked that given the City's solid foundation is there any value in investing for a longer time? Mr. O'Claire said that under the City's current investment policy, eighteen months is the longest that they can invest. The City can invest up to five years if we develop a new investment policy that is ultimately approved by the Oregon Short-Term Fund Board. Mr. O'Claire said investing in longer term securities in this economic environment is not going to do much good.

Mr. O'Claire reviewed the City's \$72 million investment portfolio. The average portfolio holding period is 233 days.

Mr. O'Claire said the proposed budget includes an increase to the water rates of 10 cents per unit (100 cubic feet of water or about 748 gallons). For the average household, it will result in an increase of about \$9.60 per year.

Mr. O'Claire discussed how the PERS rate was determined for the proposed budget and the reason for a PERS reserve account. The PERS rate stayed about the same as prior years and 2% will continue to go into a reserve account.

Councilor San Soucie asked if the PERS reserves will be used to offset some of the increases in the PERS rate. Mr. O'Claire said that was correct and that the PERS reserves would be transferred from the PERS reserve account back to the operating funds as a revenue source to offset operating costs. Councilor San Soucie asked if that was needed this year. Mr. O'Claire said that it was not needed this year.

Mr. O'Claire explained that the cost of living increase was 2.95%, however, the SEIU employees opted for 1% of this increase to be deposited into a VEBA account and the City will match the 1%. The City is not required to pay payroll taxes on the 1% VEBA contribution, so this actually saves the City money. Mr. O'Claire said that management's fiscal adjustment will be 2.95% with no VEBA contribution. He said the total increase for cost of living adjustments for SEIU and management in all funds is about \$1,100,000 in the proposed budget.

Mr. O'Claire said the projections for contingencies and reserves for all funds in the proposed budget are very healthy.

Mr. O'Claire reviewed the amendments for the proposed budget.

In regards to the Branch Library, Mr. Dawson asked for an explanation of triple net lease. Mr. O'Claire explained that triple net lease covers three things: common area maintenance, management fee for the operator of the building, and property taxes.

Councilor San Soucie commented that all community event items in the proposed budget have been moved into object code 325, however, it would be very useful to have a list of the 325 items compiled and included in the budget.

Councilor San Soucie said that when he reads through the goals and objectives of the various departments, it is sometimes difficult to determine the main projects. He would like more focus on projects and initiatives that will be undertaken during the fiscal year.

Councilor Bode emphasized the need for measureable benchmarks for all departments.

Mr. King discussed the difference between benchmarks and goals.

Mr. Galindez said the discussion of benchmarks and goals would be more appropriate at a Council Meeting.

Councilor Arnold said it is important to have meaningful goals.

City Attorney's Office

Mr. Rappleyea reviewed the City Attorney's proposed budget. He said the main increase in the budget is in Personal Services with the cost of living and insurance increases. He said they will have an unpaid intern filling in during staff leaves. He said they will have an assistant helping City staff with email retention requirements. Mr. Rappleyea said they will be contracting City of Portland to help the City monitor and track the city's franchise agreements.

Councilor Arnold asked if there will be visible results from City of Portland assisting us with our franchise accounts. Mr. Scheiderich said that City of Portland is excellent at following regulatory filings on a day to day basis to see who is doing business and what routes they plan to use and which cities are affected.

Councilor Arnold asked about the expanded court hours. Mr. Rappleyea said the extra hours have shortened the time for cases to go to trial.

Mr. King asked if staffing levels will be adequate with the upcoming BURA issues. Mr. Rappleyea said if additional assistance is needed, it will be in the next fiscal year.

Councilor Bode asked for the status of the revision to the record retention policy and practices. Mr. Rappleyea said they are planning on cleaning up the system in-house first and then will have ECMS (Electronic Content Management System) come in and develop a process.

Mr. O'Claire said there is no appropriation in the proposed budget for ECMS. He said when there is a final proposal package, it will go to Council and the needed funds will be transferred by a transfer resolution.

Councilor San Soucie asked how the three scanners in the City Attorney's budget will be used. Mr. Rappleyea said that the court is paperless so all court documents need to be scanned and the City Attorney's files are also primarily electronic.

Human Resources

Ms. Bates reviewed the Human Resources proposed budget. Ms. Bates explained how the performance appraisal process has been eliminated. She said surveys of City staff and research indicate that motivation comes from within and it is fueled by opportunities for meaningful and satisfying work. Ms. Bates said they are implementing a system of performance planning dialogue and development. She said the only exception is that performance appraisals are required for probationary employees.

Ms. Bates discussed the internship program.

In regards to the eight positions that are being eliminated in the proposed budget, Ms. Bates said three of the laid off staff are staying on through bumping or accepting a vacant position within in the City. Five of the effected staff has opted to leave the City.

Ms. Bates discussed the implementation of the self-serve payroll module that allows employees to view their real time personal and payroll information.

Ms. Bates said they are averaging 500 applications per job posting. They have implemented a system of sending electronic notices to applicants.

Councilor Bode asked if a person can still fill out a paper job application. Ms. Bates said that they can.

Ms. Bates described the paperless Personal Action Notice system that is now in use.

Mr. Dawson asked if there was severance pay for the laid off employees. Ms. Bates said there was not.

Ms. Bates said VEBA is a health reimbursement account.

Mr. King said the Human Resources goals are good examples of what goals should be.

Insurance Fund

Ms. Bates discussed the Insurance Fund's proposed budget.

Mr. O'Claire said the ODS plans increased by an average of 17.56%, Kaiser 8.02%, and dental 2%.

Ms. Bates said a committee has been formed to review insurance options and offer advice and feedback.

Ms. Bates said there is a 4-day a week, on-site fitness program that has seen tremendous results.

Municipal Court

Ms. Bates discussed the Municipal Court's proposed budget.

Ms. Bates said in June 2009 the Court added traffic school which has generated approximately \$672,000 to date. She said to date 3,323 people have enrolled in traffic school.

Ms. Bates said that paperless courts are becoming a statewide standard and although Beaverton's court has been paperless for ten years, it will need to be upgraded to be able to interface with the other courts and agencies.

Ms. Bates said the main priority of the court is to maintain court orders which include monetary fines, jail time, and community service and replacing the WINCS system.

Councilor Bodes commented that she heard that 73% of court fines are collected and asked if it was considered a good rate. Ms. Renfro discussed court collections and said that 73% was a good rate of collection.

Councilor San Soucie said that there is \$35,000 budgeted and asked how far this would get into the replacement of the WINCS system. Ms. Bates said this is to cover someone coming in and writing the scope of work and Request for Proposal.

Police

Chief Geoff Spalding reviewed the Police proposed budget and significant changes in the department. Chief Spalding reviewed the revised organizational chart for the Police Department.

Chief Spalding said a new drug dog has been added and they have increased their participation in the county-wide TNT or SWAT team by one individual.

Chief Spalding said they formed several committees to involve as many people in the department as possible in some of the significant decisions that the department makes. There are five committees: Policy Committee, Building Committee, Technology Committee, Uniform Committee, and the Strategic Planning Committee.

Chief Spalding said the overall budget increase is 3.6% which is about \$828,000. He said a significant part of this increase is in Personal Services. He said other significant increases in Material and Services are due to the WCCA fee increase, fuel increases, ammunition increases.

Chief Spalding said training is very important and there is a small increase for it in the budget. He said four individuals were deployed in the armed forces and a portion of the salary savings was transferred to training.

Chief Spalding said that they had the opportunity to have one additional sworn personnel, but because the department has gotten a little behind in support for the sworn staff they decided to add an unsworn position in the property/evidence area. He said that they are backlogged and an additional position is needed.

Chief Spalding explained that the Calls for Service numbers were changed in the proposed budget to more accurately reflect the activity of Beaverton officers.

Councilor Bode asked if a Beaverton Officer is outside Beaverton and makes a stop, is it counted in the statistics as a stop? Chief Spalding said that it was counted as a stop

Mr. Galindez asked about changing past projections in the budget. Chief Spalding said the budget numbers would only be changed for the proposed budget and the previous numbers will remain.

Chief Spalding reviewed the many successes of the Police Department. He said they want to continue focusing on community policing and proactive law enforcement.

Councilor Bode asked the Chief to discuss Police overtime. Chief said they are very effective in making the most of their overtime and that it is cheaper to pay staff overtime to fill the gaps than to hire another employee. He said TriMet is reimbursing the City for four officers' salary plus 5% overhead.

Councilor San Soucie asked where the Internal Affairs function is located. The Chief said it is part of the Administration program and is physically housed in the training building on Western Avenue.

Councilor San Soucie asked why there was such a large jump in the WCCA costs. The Chief said the costs had not increased for several years because WCCA was using some of their reserves. Mayor Doyle said WCCA's reserves are about gone.

Councilor San Soucie asked about the Extra Help line item in the Field Services Program. The Chief said the Extra Help person will go out into the community and rebuild some of the relationships and help with some of Police's marketing efforts.

Councilor San Soucie asked for more information regarding the recognition program. The Chief said it is not just for recognizing members of the Police Department but also for recognizing members of the community.

Councilor Arnold asked the Chief to highlight improving the police facility. The Chief said a consultant conducted a space study for the Police Department. The Chief said the department is currently working out of 31,000 square feet which includes City Hall, the training building, and the property & evidence building. The consultant says the Police Department needs to get twenty years into the future is about 83,000 square feet. If the court and a 25 bed jail are included, it would total 109,447 square feet. The Chief said the goal is to get all the operations back under one roof.

Mr. Dawson asked the life of a police vehicle. Deputy Chief Merritt said the life of a police patrol vehicle is about two years and the detective vehicles are retained longer.

Mr. Galindez asked if they have considered installing more traffic cameras. The Chief said that the cameras have to be productive enough and supported by crash data.

Community Development Department

Mr. Mazziotti reviewed the Community Development Department proposed budget.

Mr. Mazziotti said the downturn in the economy has affected the Community Development Department. He said the level of construction of all types is greatly down and the Building Department is mainly fee

based so five positions are being eliminated. He said land use applications are down so two vacant positions are being eliminated.

Mr. Mazziotti said they have launched a process to expand planning activities and customer improvements so that when the economy does return they will know where they are going as a community and how to get there.

Mr. Mazziotti said the Downtown Redevelopment program shifted from the Mayor's Office to the Community Development Department.

Mr. Mazziotti discussed the Building Department layoffs. He said the City now has only one plumbing inspector, one electrical inspector, and one plan reviewer, and as a result, services levels will be diminished.

Mr. Galindez asked with the inspectors were cross-trained. Mr. Roast said some of the staff has cross certifications which will allow them to smooth out the busy times.

Mr. Mazziotti said the Community Development Block Grant Fund (CDBG) transferred from the Mayor's Office to the Community Development Department. He said the program has three principle targets: execution and expansion of the small business revolving loan fund, expansion of the store front improvement program, and support for selected social service initiatives.

Councilor Arnold said it made good sense to move CDBG to the Community Development Department.

Councilor San Soucie asked Mr. Mazziotti if he thought the budgeted funds were adequate to accomplish the goals and objectives for the Civic Plan. Mr. Mazziotti said he would like to have additional fund because a contingent amount is not included.

Councilor San Soucie asked if the City had a non-retainer marketing services firm that they could use. Mr. Mazziotti said that they had no one on retainer for that purpose. Mr. Mazziotti said most web development is done in-house.

Capital Development Fund

Mr. O'Claire reviewed the Capital Development Fund's proposed budget. He said this fund is used to build capital infrastructures for the City's operations.

Mr. O'Claire said this fund has a proposed \$520,000 appropriation for property acquisition.

Mr. Dawson asked if this was a new fund. Mr. O'Claire said it has been in existence for the last twenty years, but has not been part of our budget document since the library building was completed in 2000.

General Bonded Debt Fund

Mr. O'Claire reviewed the General Bonded Debt Fund's proposed budget. He said this is a fund to repay the debt on the library bond issue.

Assessment Fund #1

Mr. O'Claire reviewed the proposed budget for the Assessment Fund #1. He said another name for this fund is a Local Improvement District (LID) Debt Service Fund. The outstanding LIDs are the Lombard Local Improvement District, the Murray Boulevard Extension, and the new 7th Street LID.

Assessment Projects Fund

Mr. O'Claire said there is no appropriation provided for this fund for FY 2010-11.

Water Debt Service Fund

Mr. O'Claire reviewed the proposed budget for the Water Debt Service Fund. He said there are three outstanding bond issues: the 2004, 2004B and 2006 bond issues.

Councilor San Soucie asked why the line item amounts varied for the bond issues. Mr. O'Claire said that he would show him in a different schedule as to why the bond amounts varied.

There being no further business to discuss the meeting was recessed at 9:05 p.m., until Tuesday, May 25, 2010, at 6:00 p.m.

Recorded by
Joanne Harrington
Recording Secretary

APPROVED BY Allen Dawson, Secretary